San Rafael High School District
2017-18 Budget Report and Multiyear Fiscal Projection
Public Hearing – June 26, 2017
Adoption – June 28, 2017

Local Educational Agencies are required to adopt a budget prior to July 1 of each year in order to authorize the expenditure of funds. The proposed budget is only an initial blueprint for revenues and expenditures since the preparation of the adopted budget occurs before the state has enacted its budget, and before actual expenditures and revenues are known for the current year. In the event that material revisions are necessary, a revised budget will be presented to the Board no less than 45 days after the enacted state budget.

Illustrated below is a summary of the proposed state budget and budget guidelines as provided by the County Office of Education, and School Services of California. The Proposed Budget Report also contains financial summaries, multi-year projections and detailed financial state reports relating to the estimated financial activity for 2017-18 through 2019-20 specific to the San Rafael High School District (SRHSD), also known as the San Rafael City Schools.

The HSD Budget Advisory Committee was convened in November 2016 and have met monthly through May of this year. This committee reviewed information on various sources of District revenues, types of expenditures, contractual or mandated obligations and expenditures outside of the control of the District (e.g. utilities, insurance and payroll driven costs) as well as discussing the potential implications of the Local Control Funding Formula (LCFF) and the Local Control Accountability Plan (LCAP) that was adopted by the State in July 2013.

Governor's Revised State Budget Proposal "May Revision"

The Governor released his revised 2017-18 budget proposal on May 11, 2017 (May Revision), which contained $1.1 billion of new revenues to K-14 above what was provided for in the January proposed budget. As in previous years, revenue projections have increased with the May Revision as compared to the Governor's January Budget; however, not to the same extent that education has experienced in the past.

Personal income tax and corporation tax revenues are up $2.9 billion and $400 million, respectively, while sales tax revenues are down $1.2 billion due to weak cash receipts. These factors reduce the forecast for 2016-17 by $225 million compared to the January Budget, but increase the 2017-18 forecast by $1.9 billion. Total General Fund revenues are projected to be $118.5 billion in 2016-17 and $125.9 billion in 2017-18. On May 15, 2017, the Legislative Analyst Office (LAO) released its analysis of the May Revision, which concurs with the Administration's current forecast.

Further, the May Revision proposes to suspend the supplemental appropriation under Test 3 (known as Test 3B or the "equal pain/equal gain" provision) through 2020-21. This provision becomes applicable when the minimum guarantee grows less quickly than the rest of the State Budget. The Administration projects that Test 3B would provide $450 million in 2018-19, $290 million in 2019-20, and $110 million in 2020-21. It is of important note that the cumulative amount of $850 million would lower the Proposition 98 guarantee from the level that would otherwise prevail under current law; thus, increasing funding to the non-Proposition 98 programs.

Illustrated below are the major components of the May Revision:

- The minimum guarantee for 2017-18 is projected to be $74.6 billion,
- Cost of Living Adjustment (COLA) is estimated to be 1.56% up from 1.48% as projected in January.

- The Local Control Funding Formula (LCFF) gap funding estimates increased by an additional \$642 million from January to a total of \$1.4 billion with the May Revision.
  - The gap percentage for 2017-18 is now estimated at 43.97%.
  - LCFF implementation through 2017-18 is now projected to be 97% complete.
- Continues Career Technical Education funding as proposed in the Governor's January Budget, which consists of a \$200 million final installment for the three-year program that began in 2015.
- Includes an additional \$239 million investment to fund increases to child care and preschool provider rates, additional full-day preschool slots, and cost-of-living-adjustments that were part of the 2016-17 enacted State Budget.
  - This provision is new as it was not included in the Governor's January Budget.
- Contains a final budget appropriation for California Clean Energy Job projects (Proposition 39)
  - State-wide amount decreased from \$422.9 million that was proposed in January to \$376.2 million.

On June 15th the Governor signed the 2017-18 Budget with two significant changes that will impact the SRHSD as follows:

- \$876 million in one-time discretionary funding is estimated to be approximately \$145 per student and disbursement of these funds will occur in 2017-18.
  - SRHSD is projected to receive \$348,000 in 2017-18
- For the SRHSD, District of Choice has been reauthorized for 5 additional years but funding has been reduced from 70% to 25% with projected revenue being reduced from \$284,000 to \$101,000 in 2017-18. The SRHSD has stopped accepting any DOC Inter-district transfers accepted as authorized by current Board Policy.

<u>**Local Control Funding Formula Structure**</u>

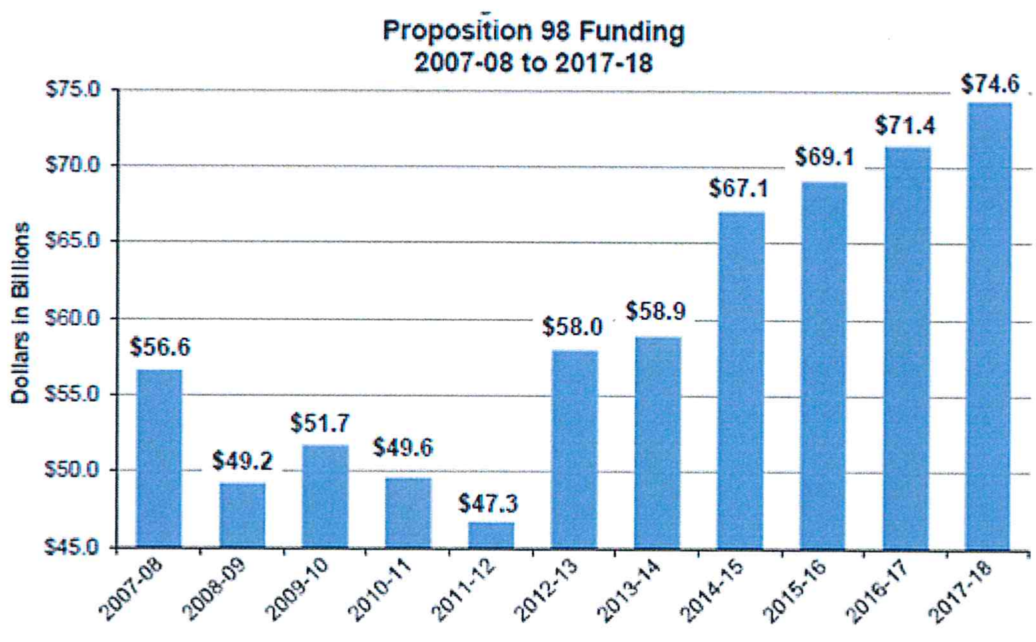
Local Control Funding Formula: The Local Control Funding Formula (LCFF) is intended to provide a funding mechanism that is simple and transparent while allowing local educational agencies (LEAs) maximum flexibility in allocating resources to meet local needs. While the formula itself is relatively straightforward, the transition from revenue limit funding to the LCFF is more complex. The primary cause for this complexity is the state's commitment to ensuring that all LEAs are funded at no less than what they received in 2012-13 on a per pupil basis.

The SRHSD is a "Basic-Aid" district and has therefore not been as significantly impacted over the past several years by the extreme fluctuations in revenues from the State, as other district have. A "Basic-Aid" district is a district whose revenues from local property taxes exceed the total LCFF revenue income due to a district based on the state formula. These districts are allowed to keep all of their property taxes but do not receive per-pupil general purpose funding from the State. In addition, the SRHSD is an approved "District of Choice," which allows the district to receive 25% (formally 70% in 2016-17) of a "district of residence" LCFF Revenue per ADA for students enrolled from other state funded districts (Inter-District transfers-IDT).

Being "Basic Aid", the District is not typically impacted significantly by State budget proposals, but the LCFF calculations and the LCAP are still required even though there is no additional funding provided by the State. It is also important to remember that over the past several years of State budget cuts, Basic Aid Districts were impacted by "fair-share" budget reductions from the State through the reduction and/or elimination of various State categorical programs. These fair-share reductions resulted in the loss of revenues of \$1.3 million annually and are not restored by the LCFF even though these reductions were initially implemented as one-time. Fortunately, the Marin County housing market is recovering with the June 2nd tax estimates from the County Tax Assessors Office estimating increases of approximately 5.3% for 2017-18. The Marin County Office of Education (MCOE) has requested that our projections are based on a 5% growth in property taxes.

While this is welcome news, the level of growth in student population continues to increase creating the need for additional teachers as well as other costs associated with educating more students. That combined with the costs associated with significant STRS rate increases, the ongoing implementation of CCSS and developing actions to address the needs of our target "at-risk" population of students, is created fiscal challenges. Many of the expenditures included in the budget were identified during the LCAP process and needs assessment and were based on community input. Many of these expenditure also help to ensure that the District can meet the proportionality requirements by demonstrating that the level of increased or improved services for EL/Low Income students/foster youth is proportionate to the supplemental & concentration (S/C) grant funding. The increase in S/C funding the HSD is expected to spend on our target population is $246,599.

LCFF Gap Funding and Cost-of-Living-Adjustment (COLA):
LCFF Funding for non-basic aid districts provided an increase of $1.4 billion state-wide (up from $661 million in January), which would bring the average district to 97% of target. This provides funding enough to increase the gap percentage to approximately 44% (up from 24% at second interim and down from 73% at first interim.)



Further, the Legislative Analyst Office estimates that the increase in the cost-of-living adjustment from 1.48% estimated in January to the statutory level of 1.56% established in the May Revision costs an additional $73 million. Illustrated below is a comparison of the gap funding percentages, and COLA percentages between the 2016-17 enacted state budget and the Governor's 2017-18 May Revision proposal.

	2015-	2016-	2017-	2018-
LCFF Gap Funding % – Enacted (June 2016)	52.56%	54.18%	72.99%	40.36%
LCFF Gap Funding % – Proposed (January 2017)	52.56%	55.03%	23.67%	43.85%
LCFF Gap Funding % – Revised (May 2017)	53.08%	49.08%	43.97%	71.53%
Annual COLA – Enacted (June 2016)	1.02%	0.00%	1.11%	2.42%

Annual COLA – Proposed (January 2017)	1.02%	0.00%	1.48%	2.40%
Annual COLA – Revised (May 2017)	1.02%	0.00%	1.56%	2.15%

Supplemental and Concentration Grants: Education Code Section 42238.02 increases the LCFF base grant by a supplemental grant and a concentration grant. These are determined by LEA's unduplicated count of pupils who are eligible for free and reduced price meals, and/or who are classified as English Learners, or as Foster Youth.

The Superintendent of Public Instruction will annually compute the percentage of unduplicated count using the criteria above, utilizing data reported through the California Longitudinal Pupil Achievement Data System (CALPADS). A pupil who is identified in more than one category will only be counted once in determining the unduplicated pupil count. This data is subject to annual review and validation by the county office of education and is subject to audit under the state audit guidelines.

Local Control Accountability Plans: Effective 2013-14, the LCFF relies on the use of accountability plans in shifting control of LEA budgets from the state to the local level. Therefore, school districts and county offices of education (COEs) are required to adopt a Local Control and Accountability Plan (LCAP) using a template adopted by the State Board of Education (SBE).

It is required that the LCAP be effective for three years (updated annually), and include annual goals for pupils (including each subgroup of pupils) to be achieved for state and local priorities, as well as, identify the specific actions the school district, or COE, will take during each year of the plan to achieve specified goals.

Prior to adopting or updating the LCAP, a district must provide the public and parent advisory committees (includes EL parent advisory committees) an opportunity to review and comment on the proposed LCAP. In addition, a district must hold at least one public hearing to solicit public comments regarding the LCAP, and must adopt the LCAP at a subsequent public meeting. Further, the LCAP must be adopted before the budget is adopted.

The May Revision includes the California Assessment of Student Performance and Progress mandate to be included in the mandate block grant; however, funding amounts are proposed to remain the same despite the inclusion of this mandate.

<u>Routine Restricted Maintenance Account:</u>

Due to the passage of Proposition 51, any local educational agency that applies for state bond funds and receives a Proposition 51 apportionment by the State Allocation Board (SAB) would be subject to conditions set forth by the bond measure. The Proposition 51 ballot initiative contained language that the School Facility Program (SFP) is administered as it existed on January 1, 2015 that includes the provision of contributing the full three percent of General Fund expenditures into the routine restricted maintenance account (RRMA). This requirement, however, does not apply to projects funded by Propositions 1A, 47, and 55 as those bond measures did not contain similar language. Therefore, districts would either be required to contribute the three percent if participating in Proposition 51 (timing of contribution yet to be determined), or continue to follow the guidance of AB 104 and gradually increase their contributions as follows:

- 2016-17: The minimum contribution shall be the <u>lesser</u> of 2014-15 contributions or three percent of total General Fund expenditures

- 2017-18 to 2019-20: The <u>greater</u> of the following:
    - the <u>lesser</u> of 2014-15 contributions or 3% of total General Fund expenditures, OR

2% of the total General Fund expenditures for that year

- 2020-21: 3% of General Fund expenditures

Reserves:

District Reserve Requirements (Senate Bill 858): The 2014 State Budget Act and the passage of Proposition 2 in November 2014 established a hard cap on district reserves, if all of the following conditions are met:

- The Proposition 98 maintenance factor must be fully repaid
- Proposition 98 must be funded based on Test 1
- Proposition 98 provides sufficient funds to support enrollment growth and the statutory COLA
- A deposit must be made into the Proposition 98 reserve when capital gains revenues exceed 8% of General Fund revenues

Currently, the cap is not expected to be in effect for fiscal year 2017-18 since Proposition 98 funding is expected to be based on Test 3 instead of Test 1.

Senate Bill (SB) 858 also requires that school districts, starting with the 2015-16 adopted budgets, must add new procedures to the public hearing. The new required procedure consists of providing the following disclosures at the public hearing beginning with the 2015-16 budget adoption:

- The minimum reserve level required in each year
- The amount of assigned and unassigned ending fund balance that exceeds the minimum in each year
- Reasons for the reserve being greater than the minimum

On January 21, 2015, the Legislative Analyst's Office (LAO) released a report regarding Senate Bill 858, which illustrated the rationale behind school district reserve levels, the benefits of prudent reserves, and the risks of reduced reserves. The report details five main reasons that school districts maintain adequate reserves:

- Managing cash flow
- Mitigating volatility in funding or expenditures
- Saving for larger purchases
- Addressing unexpected costs
- Reducing costs of borrowing

Further, the LAO described specific risks to school districts that lower their reserves in accordance with the SB 858 cap, including:

- The cap would allow most districts to maintain only a few weeks of payroll
- Emergency facility repairs and other unexpected costs would place districts with low reserves in a precarious position
- Districts with reserves below the caps have been about twice as likely to be flagged for fiscal intervention
- Districts with lower reserves could have their credit ratings reduced, increasing the cost of borrowing money

The experience of the most recent recession has clearly demonstrated the minimum levels are insufficient to protect educational programs from severe disruption in an economic downturn. The typical 3% reserve minimum represents less than two weeks of payroll for many districts.

2017-18 San Rafael High School District Primary Budget Components

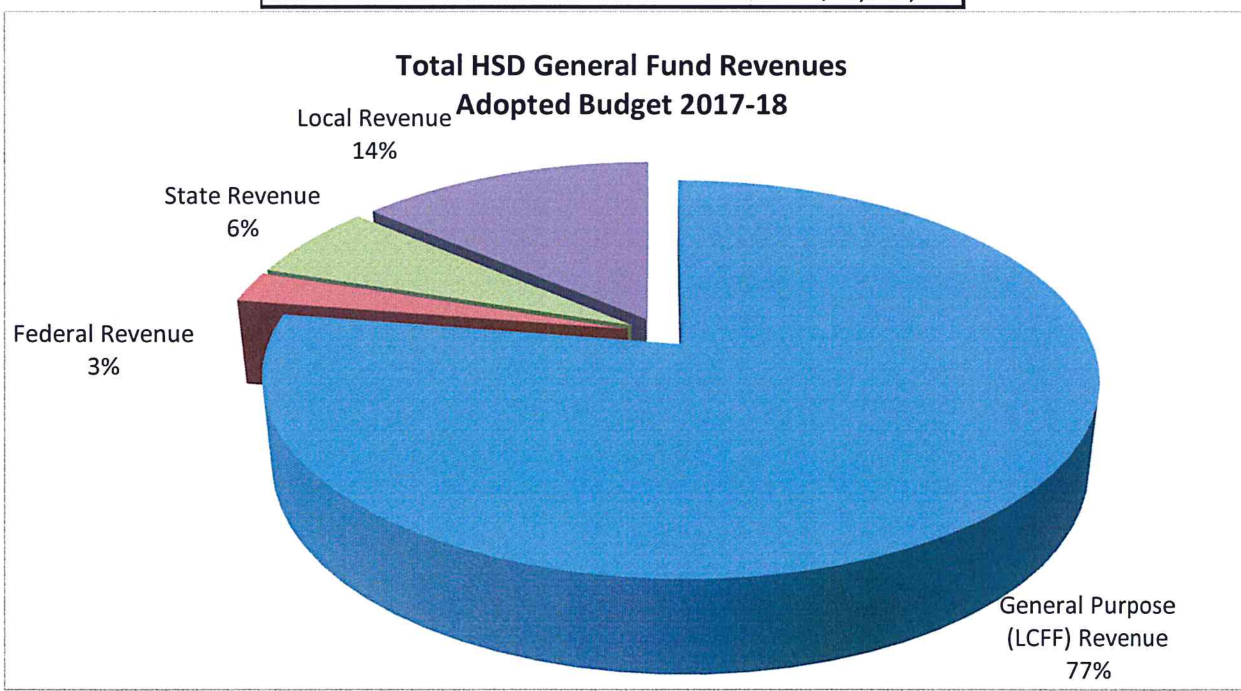
❖ Estimated property taxes are $ $25,557,448

- Enrollment is estimated in 2017-18 at 2,705, an increase of 162; estimated enrollment for 2018-19 is 2,725 and for 2019-20 it is 2,710.
- The District projects 3% growth in parcel taxes and expects to receive $2,839,000
- The District's estimated unduplicated pupil percentage for supplemental & concentration funding is estimated to be 50.16% for the HSD.
- Lottery revenue is estimated to be $144 per ADA for unrestricted purposes and $45 per ADA for restricted purposes
- Mandated Cost Block Grant is $28 for K-8 ADA and $56 for 9-12 ADA.
- One-time Mandated Cost reimbursement is $145 per ADA or $348,000 in 2017-18
- Except as illustrated under Contributions to Restricted Programs, all federal and state restricted categorical programs are self-funded.

General Fund Unrestricted Revenue Components

The District receives funding for its general operations from various sources. A summary of the major funding sources is illustrated below:

DESCRIPTION	AMOUNT
General Purpose (LCFF) Revenue	$26,079,661
Federal Revenue	$862,361
State Revenue	$2,095,766
Local Revenue	$4,604,781
TOTAL	$33,642,569



Education Protection Account

As approved by the voters on November 6, 2012, The Schools and Local Public Safety Protection Act of 2012 (Proposition 30) temporarily increased the state's sales tax rate and the personal income tax rates for taxpayers in high tax brackets.

The creation of the EPA by Proposition 30 provides that a portion of K-14 general purpose funds must be utilized for instructional purposes. Revenues generated from Proposition 30 are deposited into a State account called the Education Protection Account (EPA). The District will receive funds from the

EPA based on its proportionate share of statewide general purpose funds. A corresponding reduction is made to its state aid funds.

K-14 local agencies have the sole authority to determine how the funds received from the EPA are spent, but with these provisions:

- The spending plan must be approved by the governing board during a public meeting
- EPA funds cannot be used for the salaries or benefits of administrators or any other administrative costs (as determined through the account code structure)
- Each year, the local agency must publish on its website an accounting of how much money was received from the EPA and how the funds were expended

Further, the annual financial audit includes verification that the EPA funds were used as specified by Proposition 30. If EPA funds are not expended in accordance with the requirements of Proposition 30, civil or criminal penalties could be incurred.

Illustrated below is how the District's EPA funds are appropriated for 2017-18. The amounts will be revised throughout the year based on information received from the state.

Education Protection Account (EPA) Fiscal Year Ending June 30, 2017		
Beginning Fund Balance	**$**	**76,002**
Actual EPA Revenues:		
Estimated EPA Funds	$	484,054
Total	$	560,056
Actual EPA Expenditures:		
Certificated Instructional Salaries	$	362,053
Certificated Benefits	$	105,381
Total	$	467,434
Projected Balance	**$**	**92,622.00**

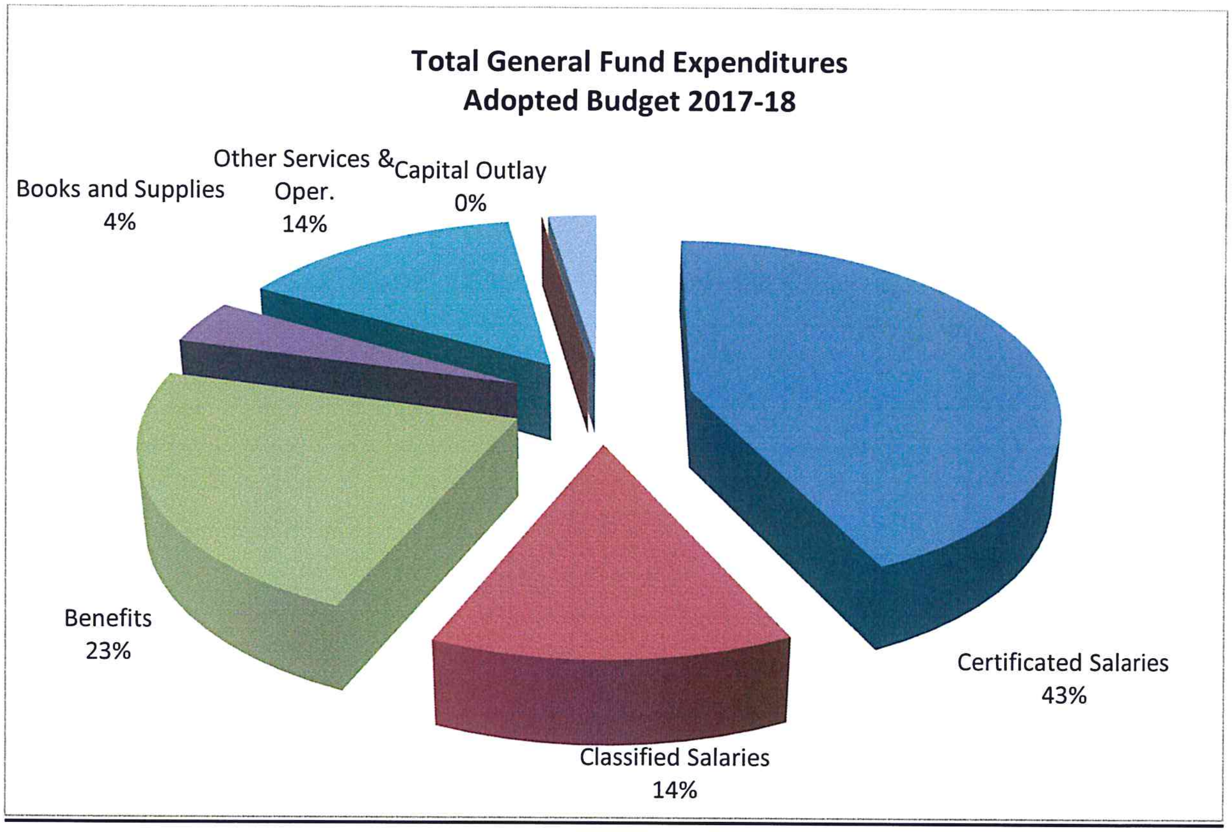
Subsequently, on November 8, 2016, the voters approved the California Children's Education and Health Care Protection Act (Proposition 55) that maintains increased personal income tax rates for taxpayers in high tax brackets through 2030. Proposition 55 did not extend the sales tax increase; therefore, the temporary sales tax increase expired at the end of calendar year 2016.

Operating Expenditure Components

The General Fund is used for the majority of the functions within the District. As illustrated below, salaries and benefits comprise of approximately 87% of the District's unrestricted budget, and approximately 80% of the total General Fund budget.

DESCRIPTION	UNRESTRICTED		COMBINED
Certificated Salaries	$	11,446,337	$15,390,989
Classified Salaries	$	3,254,726	$4,822,396
Benefits	$	5,127,790	$8,165,260
Books and Supplies	$	874,743	$1,436,740
Other Services & Oper.	$	2,061,462	$5,154,537
Capital Outlay	$	-	$7,929
Other Outgo/Transfer	$	33,082	$873,419
TOTAL	$	22,798,140	$35,851,270

Following is a graphical representation of expenditures by percentage:



Unrestricted General Fund Summary

The District's 2017-18 unrestricted General Fund projects a total operating deficit of $2,178,654 million resulting in an estimated ending fund balance of $2,787,922 million. The components of the District's fund balance are as follows: revolving cash & other nonspendables - $5,600; restricted $448,053; 3.2% Board designated reserve for 3 year fiscal solvency to address multi-year deficit spending - $1,146,107; state required 3% reserve for economic uncertainty - $1,072,422; Assigned and unassigned balances to address uncertainties regarding special education costs, potential residential placements, ongoing deficit spending in 2019-20, COLA for utilities and other services & software $1,709,900.

Cash Flow

The SRHSD is funded primarily on property taxes with 77% of all unrestricted funding being received in December and April. However, the Districts major disbursements are made between August through June. Based on our cash flow statements, the District will need to take advantage of the County of Marin Tax Anticipation Note and temporarily borrow in October and November of 2017. Federal and State aid apportionment payments will be based upon each LEA's regular payment schedule throughout the year.

Fund Summaries

Illustrated below is a summary of each Fund's fund balance and corresponding change.

All Funds of the District				
	Fund Number and Description	Fund Balance July 1, 2016	Current Year Activity	Fund Balance June 30, 2017
01	General Fund	$8,312,843	($2,972,023)	$5,340,820
11	Adult Ed	$11,103		$11,103
13	Cafeteria	$71,411	($13,422)	$57,989
14	Deferred Maintenance Fund	$265,312	$126,247	$391,559
20	Special Reserve for Other Than Capital Outlay	$2,003,522	$2,500	$2,006,022
21	Bond	$34,917,311	($6,465,948)	$28,451,363
25	Capital Facilities	$120,346	($24,800)	$95,546
40	Special Reserve for Capital Outlay	$1,485,048	$108,647	$1,593,695
51	Bond Interest Redemption	$6,434,651		$6,434,651
	Total	$53,621,547	-$9,238,799	$44,382,748

Multiyear Projection

General Planning Factors:

Based on historical experience, the District projects a stable 5% growth rate for property tax revenues and 3% voter approved growth for parcel tax revenues in the current and subsequent fiscal years. Illustrated below are also the latest factors released by the Department of Finance (DOF) that Districts are expected to utilize as planning factors. There is also a comparison of the estimated COLA and gap funding factors for DOF and School Services of California (SSC).

	Fiscal Year			
Planning Factor	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Total Property Taxes (Est. on 5% Secure Tax Growth)	$24.3M	$25.5M	$26.8M	$28.2M
COLA (DOF & SSC)	0.00%	1.56%	2.15%	2.35%
LCFF Gap Funding Percentage (SSC)	55.03%	43.97%	39.03%	41.51%
LCFF Gap Funding Percentage (DOF)	55.03%	43.97%	71.53%	73.51%
STRS Employer Rates	12.58%	14.43%	16.28%	18.13%
PERS Employer Rates (PERS Board / Actuary)	13.888%	15.531%	18.10%	20.80%
Lottery – unrestricted per ADA	$144	$144	$144	$144
Lottery – Prop. 20 per ADA*	$45	$45	$45	$45
Mandated Cost per ADA / One Time Allocations (DOF)	$214	$145*	$0	$0
Mandate Block Grant for Districts: K-8 per ADA	$28	$28	$28	$28
Mandate Block Grant for Districts: 9-12 per ADA	$56	$56	$56	$56
Mandate Block Grant for Charters: K-8 per ADA	$14	$14	$14	$14
Mandate Block Grant for Charters: 9-12 per ADA	$42	$42	$42	$42
Routine Restricted Maintenance Account * *Percentage of total general fund expenditures* *(Note: Due to the November 2016 facility bond proposition passing, the RRMA requirement may revert to 3% for applicable LEAs. Please refer to description noted above.)*	Lesser of: 3%* or 2014-15 Amount	Greater of: Lesser of 3%* / 2014-15 Amount or 2%*	Greater of: Lesser of 3%* / 2014-15 Amount or 2%*	Greater of: Lesser of 3%* / 2014-15 Amount or 2%*

**** Funding approved by Governor 6/15/2017, not a component of the May Budget Revision.***

Revenue Assumptions:

The changes to general purpose revenues are primarily due to estimated changes in property tax revenues based on a 5% growth rate. EPA State funding is projected to remain unchanged. The original District of Choice (DOC) legislation was scheduled to sunset on 6/30/17 and provide 70% funding for current DOC students enrolled as of 6/30/17. These students would have been funded through 6/30/18. DOC was reauthorized with the 2017 Budget Adoption for five additional years. Based on this emergency legislation, MCOE notified SRHSD to reduce funding from 70% to 25% effective 7/1/2017. This new DOC funding formula is estimated to reduce revenues from $284,000 to $101,000 in 2017-18. The District will follow Board Policy for existing and future DOC Interdistrict student placement within SRHSD.

Unrestricted local revenue has been reduced by $500,000 for insurance reimbursements for the SRHS flood damage. Other local revenue is not recognized until the funds or a grant letter has been received.

Per enrollment trends, the District anticipates year-to-year enrollment to increase in 2017-18 by 109 students, then level off and increase in 2018-19 by 20 and decrease in 2019-20 by 15. EPA and special education tax revenue is estimated to remain relatively constant. Federal revenue is expected to decrease by 22% for Title I in 2017-18 and funding for Title II to be eliminated in 2018-19. State revenue is expected to decrease from 2016-17 due to the loss of one-time mandate funds from $215 to $145 per ADA in 2017-18. The increase of contributions to restricted programs is primarily due to budgeting for restricted step & column increases, a 2.5% budget set-aside for potential salary increase (per CBA language) in 2017-18, as well as for expected STRS/PERS required pension increases. The District also adjusted its routine restricted maintenance contribution in order to contribute 3% of the General Fund budget.

Expenditure Assumptions:

Included in the current budget and subsequent years are increases in salaries for all employees of 1.5% for step & column and 2.5% COLA for 2017-18. This 2.5% budget set-aside for salaries has **not** been negotiated and agreed to by our bargaining units.

On December 21, 2016, the California Public Employees' Retirement System (CalPERS) Board took action to approve lowering what is known as the "discount rate" from 7.5% to 7.0% over three years beginning in 2018-19. This action effectively lowers what CalPERS projects will be the annual rate of return on its entire investment portfolio (i.e. investment return percentage). By reducing the current discount rate from 7.5% to 7.375% in 2018-19, 7.25% in 2019-20, and then 7.0% in 2020-21, the CalPERS Board will be scheduling higher employer contribution rates that will significantly exceed previous projected increases. Illustrated below are the actual rates through 2017-18 and projected rates through 2023-24.

CalPERS Rate Comparison

Description	2016-17 Actual	2017-18 Projected	2018-19 Projected	2019-20 Projected	2020-21 Projected	2021-22 Projected	2022-23 Projected	2023-24 Projected
Rates @ 16-17 1st Interim	13.888%	15.50%	17.10%	18.60%	19.80%	19.80%	19.80%	19.80%
Rates @ 16-17 2nd Interim	13.888%	15.80%	18.70%	21.60%	24.90%	26.40%	27.40%	28.20%
Rates @ 17-18 Proposed	13.888%	15.531% (Actual)	18.10%	20.80%	23.80%	25.20%	26.10%	26.80%

Assembly Bill 1469 (CalSTRS full-funding plan) increased the contribution rates that employers, employees and the State pay to support the California State Teachers' Retirement System (CalSTRS). Similar to CalPERS, the CalSTRS Board lowered its assumed rate of return on its investment portfolio from 7.5% to 7.0% and adopted new demographic assumptions on February 10th. Under Assembly Bill (AB) 1469 both state and employer contribution rates may be increased by the CalSTRS Board in order to maintain the goal of reaching full funding of the retirement system by 2046.

Current law increases contribution rates to 19.1% beginning July 1, 2020. Further under Education Code Section 22950.5, CalSTRS will have the authority to increase or decrease the employer and state contribution rates. However, the rates may not be increased by more than one percent in a year and cannot exceed 12% overall until the remaining unfunded actuarial obligation is eliminated. In addition, new CalSTRS members (hired after January 1, 2013) are required to pay at least half of the normal cost of the DB program; thus, these members' contributions will increase by 0.5% effective July 1, 2017.

Illustrated below are the statutory rates through 2020-21 and maximum rates from 2021-22 through 2023-24:

CalSTRS Rates per Education Code Sections 22901.7 and 22950.5								
Description	2016-17 Actual	2017-18 Projected	2018-19 Projected	2019-20 Projected	2020-21 Projected	2021-22 Projected	2022-23 Projected	2023-24 Projected
Statutory Rates	12.58%	14.43%	16.28%	18.13%	19.10%	20.10% (Max.)	21.10% (Max.)	22.10% (Max.)

Therefore, adjustments to benefits reflect the expected increases to employer pension costs.

Unrestricted supplies and operating expenditures, capital outlay and other outgo is estimated to remain relatively constant. Contributions to restricted programs are expected to increase for 2018-19 and 2019-20 due to additional pension costs for restricted programs that receive support from the unrestricted general fund.

Estimated Ending Fund Balances:

During 2018-19, the District projects the General Fund will deficit spend by $1,184,193 in unrestricted and $159,809 in restricted resulting in an ending General Fund balance of $3,235,975. In order to maintain fiscal solvency, the budget includes a reduction of 4 certificated FTE and 1 classified FTE. The budget for books, supplies, services and other operating expenditures was reduced and no COLA was included.

During 2019-20, the District projects the General Fund will deficit spend by $475,273 in unrestricted and $288,243 in restricted for a total of $763,5162, resulting in an ending General Fund balance of approximately $1,128,456. In order to maintain fiscal solvency, the budget includes a reduction of an additional 4 certificated FTE and .5 FTE specifically from the Central Services Office. The budget for books, supplies, services and other operating expenditures was reduced and no COLA was included.

Illustrated below are the components of the estimated ending General Fund balance:

Multi-Year Projection (Total GF)			
Description	**2017-18 Budget**	**Projected 2018-19**	**Projected 2019-20**
Total Revenues	33,642,569	34,816,080	36,243,468
Total Expenditures	35,817,414	36,230,082	37,076,985
Excess/(Deficiency)	(2,174,845)	(1,414,002)	(833,517)
Other Sources/Uses	70,000	70,000	70,000
Net Increase/(Decrease)	**(2,104,845)**	**(1,344,002)**	**(763,517)**
Add: Beginning Fund Balance	5,340,820	3,235,975	1,891,973
Ending Fund Balance	**3,235,975**	**1,891,973**	**1,128,456**
Note: State required 3% reserve in 2019-20 is $1,112,310: FB above 3% reserve is **$16,146.**			

Conclusion:

After the state required 3% reserve is accounted for, the 2019-20 unassigned / unappropriated fund balance is estimated to be **$16,146**. Because of this marginal fund balance, the district will need to scrutinize all expenditures over the current and subsequent years. To address this multi-year deficit spending, the District Budget Advisory Committee will meet to provide guidance and support in order to maintain fiscal solvency while providing enhancements to the learning environment and working conditions of all students, employees and community stakeholders.

The projected budget and multi-year projections support that the District is projecting to be able to meet its financial obligations for the current and subsequent year.